

# JOINT BUDGET COMMITTEE



## STAFF FIGURE SETTING FY 2022-23

## DEPARTMENT OF NATURAL RESOURCES

(Division of Reclamation, Mining, and Safety, Oil and Gas  
Conservation Commission, State Board of Land Commissioners)

JBC WORKING DOCUMENT - SUBJECT TO CHANGE  
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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## HOW TO USE THIS DOCUMENT

The Department Overview contains a table summarizing the staff recommended incremental changes followed by brief explanations of each incremental change. A similar overview table is provided for each division, but the description of incremental changes is not repeated, since it is available under the Department Overview. More details about the incremental changes are provided in the sections following the Department Overview and the division summary tables.

Decision items, both department-requested items and staff-initiated items, are discussed either in the Decision Items Affecting Multiple Divisions or at the beginning of the most relevant division. Within a section, decision items are listed in the requested priority order, if applicable.

## DEPARTMENT OVERVIEW

The Department of Natural Resources is responsible for developing, protecting, and enhancing Colorado's natural resources for the use and enjoyment of present and future residents and visitors. The following Department Divisions are discussed in this packet:

- The DIVISION OF RECLAMATION, MINING, AND SAFETY (DRMS) regulates development and reclamation at active mining sites, reclaims abandoned mine sites, and provides safety training for mine operators and employees.
- The OIL AND GAS CONSERVATION COMMISSION (OGCC) fosters the exploration, development, and conservation of Colorado's oil and natural gas resources by issuing permits, conducting inspections, responding to complaints from the public, pursuing enforcement actions, and engaging in public outreach efforts.
- The STATE BOARD OF LAND COMMISSIONERS (SLB) manages agricultural, commercial, mineral, and other leases on state-owned lands to generate reasonable and consistent revenue for public schools and other trust beneficiaries over time.

## SUMMARY OF STAFF RECOMMENDATIONS

DEPARTMENT OF NATURAL RESOURCES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2021-22 APPROPRIATION</b>						
SB 21-205 (Long Bill)	\$33,554,001	\$0	\$29,819,040	\$225,000	\$3,509,961	254.1
Other legislation	49,362	0	49,362	0	0	0.5
<b>TOTAL</b>	<b>\$33,603,363</b>	<b>\$0</b>	<b>\$29,868,402</b>	<b>\$225,000</b>	<b>\$3,509,961</b>	<b>254.6</b>
<b>FY 2022-23 RECOMMENDED APPROPRIATION</b>						
FY 2021-22 Appropriation	\$33,603,363	\$0	\$29,868,402	\$225,000	\$3,509,961	254.6
Centrally appropriated line items	640,346	0	549,324	0	91,022	0.0
R5 Land board water resources manager	107,284	0	107,284	0	0	1.0
Indirect cost assessment	101,119	0	73,629	0	27,490	0.0
Annualize prior year budget actions	97,164	0	83,703	0	13,461	0.0
Annualize prior year legislation	(49,362)	0	(49,362)	0	0	(0.5)
<b>TOTAL</b>	<b>\$34,499,914</b>	<b>\$0</b>	<b>\$30,632,980</b>	<b>\$225,000</b>	<b>\$3,641,934</b>	<b>255.1</b>
<b>INCREASE/(DECREASE)</b>	<b>\$896,551</b>	<b>\$0</b>	<b>\$764,578</b>	<b>\$0</b>	<b>\$131,973</b>	<b>0.5</b>
Percentage Change	2.7%	n/a	2.6%	0.0%	3.8%	0.2%
<b>FY 2022-23 EXECUTIVE REQUEST</b>	<b>\$34,499,898</b>	<b>\$0</b>	<b>\$30,632,964</b>	<b>\$225,000</b>	<b>\$3,641,934</b>	<b>255.1</b>
Request Above/(Below) Recommendation	(\$16)	\$0	(\$16)	\$0	\$0	(0.0)

## DESCRIPTION OF INCREMENTAL CHANGES

**CENTRALLY APPROPRIATED LINE ITEMS:** The recommendation includes an increase of \$640,346 total funds to reflect the annualization of prior year salary survey

CENTRALLY APPROPRIATED LINE ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Annualize prior year salary survey	\$640,346	\$0	\$549,324	\$0	\$91,022	0.0
<b>TOTAL</b>	<b>\$640,346</b>	<b>\$0</b>	<b>\$549,324</b>	<b>\$0</b>	<b>\$91,022</b>	<b>0.0</b>

**INDIRECT COST ASSESSMENT:** The recommendation includes net adjustments to indirect costs across these Divisions.

**ANNUALIZE PRIOR YEAR BUDGET ACTIONS:** The recommendation includes an increase of \$97,164 total funds to reflect the FY 2022-23 impact of budget actions from previous sessions, summarized in the following table.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
SB18-200 PERA unfunded liability	\$97,164	\$0	\$83,703	\$0	\$13,461	0.0
<b>TOTAL</b>	<b>\$97,164</b>	<b>\$0</b>	<b>\$83,703</b>	<b>\$0</b>	<b>\$13,461</b>	<b>0.0</b>

**ANNUALIZE PRIOR YEAR LEGISLATION:** The recommendation includes a decrease of \$49,362 total funds and 0.5 FTE to reflect the FY 2022-23 impact of bills passed in previous sessions, summarized in the following table.

ANNUALIZE PRIOR YEAR LEGISLATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
SB21-264 Greenhouse gas emissions	(\$49,362)	\$0	(\$49,362)	\$0	\$0	(0.5)
<b>TOTAL</b>	<b>(\$49,362)</b>	<b>\$0</b>	<b>(\$49,362)</b>	<b>\$0</b>	<b>\$0</b>	<b>(0.5)</b>

## MAJOR DIFFERENCES FROM THE REQUEST

The JBC staff recommendation for appropriations is predominantly consistent with the request. Any variation from the requested amount is a result of the JBC practice of not appropriating employee benefits in the first year.

## DECISION ITEMS AFFECTING MULTIPLE DIVISIONS

The Department did not submit any decision items affecting more than one division covered in this figure setting document.

## DECISION ITEMS AFFECTING THE EXECUTIVE DIRECTOR’S OFFICE

The Department submitted a request for a position in the Executive Director’s Office, but because the focus of the position is energy, staff determined that it would be appropriate to present the request and recommendation in this document. As a result, the fiscal impact of this recommendation is not reflected in the summary tables in this document, but will instead be reflected in staff’s figure setting document dated March 10, 2022.

### → R6 ASSISTANT DIRECTOR FOR ENERGY INNOVATION

*REQUEST:* The Department is requesting an increase of \$159,551 reappropriated funds from indirect cost recoveries to support 1.0 FTE to hire an Assistant Director for Energy Innovation. The Department indicates that funding is for the implementation of a theory-informed program as defined in S.B. 21-284 (Evidence-based evaluation for budget). Based on JBC staff analysis and pursuant to S.B. 21-284, assignment of a level of evidence is not applicable to this budget request.

*RECOMMENDATION:* **Staff recommends approval of \$114,724 General Fund to support 1.0 FTE. Staff also recommends refinancing the General Fund to reappropriated funds from the Department’s indirect cost recoveries.** This recommendation is consistent with the Joint Budget Committee’s decision on appropriations regarding new FTE.

#### *ANALYSIS:*

##### ENERGY IN COLORADO:

The energy landscape in Colorado is in the midst of change. Transitioning from carbon-based to renewable energy generation and infrastructure is neither a fast nor an easy change. To do so successfully will require long-term planning, coordination, and compromise. With the release of the Greenhouse Gas Pollution Reduction Roadmap, Colorado has set goals for itself to reduce greenhouse gas emissions 26% below 2005 levels by 2025, 50% by 2030, and 90% by 2050. Meeting these goals will rely on rapid reductions in emissions from fossil fuel-based energy sources, incentivizing renewable energy development, and developing opportunities for carbon capture, utilization, and sequestration. To accomplish this, various aspects of State governance will be required to work together, including the Public Utilities Commission (PUC), Colorado Parks and Wildlife (CPW), the Department of Labor and Employment (CDLE), the Department of Public Health and Environment (CDPHE), the Department of Transportation (CDOT), the Department of Local Affairs (DOLA), and the Department of Natural Resources (DNR), among others. It is from this need for long-term planning and coordination where this request comes.

Within the Department of Natural Resources alone, there are several functions that must be carried out in harmony in order to help meet these statewide goals. Senate Bill 19-181 changed the Oil and Gas Conservation Commission’s (OGCC) mission to protect public health and the environment. CPW includes in its portfolio both conventional and alternative energy interests and installations and as such is involved in ensuring that energy development takes into account wildlife and habitat considerations. Additionally, the State Land Board of Commissioners has a growing portfolio of renewable energy leases in an effort to diversify trust assets. If approved, the new Assistant Director position would be integral in coordinating these responsibilities and more within the Department

**DUTIES OF THE POSITION:**

Along with the broad goal of meeting the Greenhouse Gas Pollution Reduction Roadmap targets, the Department also included a number of much more specific duties that the position will be responsible for regarding day-to-day activities as well as mid- to long-term planning efforts. Some of those duties are as follows:

- Assist CPW in planning for and addressing wildlife and recreation impacts of increasing renewable energy development, which includes potential conflicts between traditional and renewable energy, wildlife, and recreation;
- Assist the State Land Board in determining costs and benefits of installing or acquiring renewable energy development to enhance its portfolio;
- Coordinate between the Air Quality Control Commission in CDPHE and OGCC's regulations on greenhouse gas emissions reporting and permitting requirements;
- Work with the Division of Reclamation, Mining, and Safety to identify opportunities to support economic development in coal-reliant communities and also to reduce emissions of coal mine methane. This would be a joint effort with CDPHE and CDLE to better monitor and control emissions and to navigate a just transition for coal workers and communities; and
- Coordinate between the Executive Director, Deputy Directors, and Division Directors to implement those elements of the Department's Strategic Plan related to emerging energy issues, including using data and research to engage in long term strategic planning.

While these duties are more Department-specific, the position would also have responsibilities that would extend outside the Department. The following were listed in the request:

- Help develop policy surrounding carbon capture, utilization, and storage to help reduce emissions;
- Assist in the implementation of statewide initiatives including the transition to electric fleet vehicles and energy efficiency improvements in department facilities; and
- Work with federal partners to increase renewable energy generation on federal lands.

The Committee has also expressed concern that this may be a redundant position based on the existence of the Colorado Energy Office (CEO). The Department has stated that it currently looks to CEO for broad policy advice and guidance, and would continue to do so even if this request were approved. Further, the Department agrees that there are overlapping goals between what this position would be responsible for and those of the CEO. The important distinction, however, is that the CEO is more focused on reducing consumer energy costs and greenhouse gas emissions while increasing access to and affordability of clean energy, energy efficiency, and zero-emission vehicles for all Coloradans whereas the AD for Energy Innovation would serve a more nuanced role in leading the Department through the energy transition by providing specific and tailored guidance on how certain issues would impact the Department and then providing leadership on how best to proceed in regards to the Department's situation.

Another important point to consider is that this position would not be focused solely on one type of energy. The Department envisions the AD for Energy Innovation's responsibilities to span the whole spectrum of energy generation and beyond – from innovating and enhancing the extractive industries' ability to mine and drill in a safer and cleaner way to strategizing the best ways to implement renewable

energy generation to exploring opportunities to utilize other types of generation to understanding the costs and benefits of large-scale energy storage.

#### DEPARTMENT NEEDS:

Currently, there is one Assistant Director for Climate, Forest Health, and Energy. This position has seen an increasing amount of responsibility over the last several years as the State has prioritized climate change mitigation and improving forest health more heavily. Increased responsibility has not only come from reprioritization, but also from completely new sources. For example, carbon capture and large-scale battery storage have until recently been absent from the energy landscape. Now, with the added focus on transitioning the State’s energy portfolio in a just and equitable way, the Department believes that the responsibilities of the position have outstripped capacity.

For example, the AD for Climate, Forest Health, and Energy – in its climate role – currently oversees the development of climate change policy and reporting on greenhouse gas emission reduction, as well as leading the development of Colorado’s Natural and Working Lands Strategic Plan to develop natural climate solutions for the State. In their forest health role, the AD oversees the planning and development of Shared Stewardship with the U.S. Forest Service, administers the Colorado Forest Health Council, and manages the wildfire risk mitigation program.

Additionally, there are a few specific areas that the Department has identified that are currently not receiving the amount of attention they need to be successful. The first is department-wide oversight and coordination on alternative and renewable energy issues. The State Land Board already has interests in many renewable energy ventures, but an AD for Energy Innovation could help it to optimize its revenue generation from renewable energy.

A second area that could benefit from more focused oversight is CPW’s efforts to understand how increasing the footprint of renewable energy impacts wildlife and habitat around the State. Thirdly, the AD for Energy Innovation will work with OGCC toward advancement and innovation in the oil and gas extraction industry to ensure that it can continue in a clean, safe, and sustainable way. Finally, the AD will partner with DRMS as well as CDLE to coordinate efforts to assist communities impacted by the loss of the coal industry and provide support for the transition away from coal extraction.

#### LEVEL OF EVIDENCE PURSUANT TO S.B. 21-284:

Senate Bill 21-284 states that a program or practice is “theory-informed” if a theory of change has been identified and implemented. The Department identified this budget request as a theory-informed practice, and identified the theory of change as “the ability to proactively address current and emerging needs related to energy.” The Department’s objective is “to increase innovation and improve coordination within DNR and with other state agencies and partners in response to energy-related challenges and ongoing changes in the energy sector.”

A theory of change is a method that explains how a given intervention, or set of interventions, is expected to lead to specific outcomes, drawing on a causal analysis based on available evidence. While there are potentially identifiable outputs related to the addition of an Assistant Director for Energy Innovation, JBC staff disagrees that it qualifies as an intervention that is intended to lead to a specific change with measurable outcomes. JBC staff has determined that, pursuant to S.B. 21-284 (Evidence-based Evaluations for Budget), assignment of a level of evidence is not applicable to this request.



**(2) DIVISION OF RECLAMATION, MINING, AND SAFETY**

The Division of Reclamation, Mining, and Safety (DRMS) is charged with helping to develop Colorado’s mining industry in an environmentally protective manner and ensuring that mined land is reclaimed to a beneficial use. This includes: (1) permitting, inspecting, and ensuring compliance at over 1,750 active coal and mineral prospecting and mining operations; (2) safeguarding and reclaiming abandoned and forfeited mine sites; and (3) training, testing, and certifying mine employees at both coal and non-coal mining operations in accordance with federal health and safety standards. Pursuant to Section 39-29-109.3 (1)(c), C.R.S., the General Assembly may appropriate up to 25.0 percent of the money in the Severance Tax Operational Fund to the Division.

DIVISION OF RECLAMATION, MINING, AND SAFETY						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2021-22 Appropriation</b>						
SB 21-205 (Long Bill)	\$8,035,021	\$0	\$4,628,271	\$0	\$3,406,750	64.8
<b>TOTAL</b>	<b>\$8,035,021</b>	<b>\$0</b>	<b>\$4,628,271</b>	<b>\$0</b>	<b>\$3,406,750</b>	<b>64.8</b>
<b>FY 2022-23 RECOMMENDED APPROPRIATION</b>						
FY 2021-22 Appropriation	\$8,035,021	\$0	\$4,628,271	\$0	\$3,406,750	64.8
Centrally appropriated line items	167,033	0	76,011	0	91,022	0.0
Annualize prior year budget actions	25,000	0	11,539	0	13,461	0.0
Indirect cost assessment	35,519	0	3,995	0	31,524	0.0
<b>TOTAL</b>	<b>\$8,262,573</b>	<b>\$0</b>	<b>\$4,719,816</b>	<b>\$0</b>	<b>\$3,542,757</b>	<b>64.8</b>
<b>INCREASE/(DECREASE)</b>	<b>\$227,552</b>	<b>\$0</b>	<b>\$91,545</b>	<b>\$0</b>	<b>\$136,007</b>	<b>0.0</b>
Percentage Change	2.8%	n/a	2.0%	n/a	4.0%	0.0%
<b>FY 2022-23 EXECUTIVE REQUEST</b>						
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

**DECISION ITEMS – DIVISION OF RECLAMATION, MINING, AND SAFETY (NONE)**

The Department request for FY 2022-23 did not include any decision items or budget amendments that impact solely the Division of Reclamation, Mining, and Safety.

**LINE ITEM DETAIL – DIVISION OF RECLAMATION, MINING, AND SAFETY****(A) COAL LAND RECLAMATION****PROGRAM COSTS**

This line item supports the Coal Regulatory Program, which regulates active coal mines and ensures mined lands are reclaimed to beneficial use while protecting public health, safety, and the environment. Colorado was granted state primacy to regulate coal mines following the passage of the federal Surface Mining Control and Reclamation Act (SMCRA), Title V of 1977. The program is funded with 77.0 percent federal funds from the U.S. Department of the Interior's Office of Surface Mining (OSM) and

23.0 percent state cash match from the Severance Tax Operational Fund, based on total permitted mine acres located on federally owned lands versus non-federal acres. The federal grant funds are contingent on Colorado maintaining state primacy to conduct a coal regulation program. The state severance tax funds are subject to a statutory limit on the Division's total allowable usage of 25.0 percent of the total revenue in the Operational Fund (Section 39-29-109.3 (1)(c), C.R.S.). This appropriation supports 19.0 FTE, which includes technical regulatory and management staff, a grant/financial warranty specialist, administrative staff and a share of central administrative staff that support the entire division.

*STATUTORY AUTHORITY:* Sections 34-33-101, *et seq.*, C.R.S.

*REQUEST:* The Department requests an appropriation of \$1,992,574 total funds including \$448,636 cash funds and \$1,543,938 federal funds and 19.0 FTE for FY 2022-23.

*RECOMMENDATION:* Staff recommends an appropriation of \$1,992,574 total funds including \$448,636 cash funds and \$1,543,938 federal funds and 19.0 FTE for FY 2022-23.

DIVISION OF RECLAMATION, MINING, AND SAFETY, COAL LAND RECLAMATION, PROGRAM COSTS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2021-22 APPROPRIATION</b>						
SB 21-205 (Long Bill)	\$1,937,431	\$0	\$437,056	\$0	\$1,500,375	19.0
<b>TOTAL</b>	<b>\$1,937,431</b>	<b>\$0</b>	<b>\$437,056</b>	<b>\$0</b>	<b>\$1,500,375</b>	<b>19.0</b>
<b>FY 2022-23 RECOMMENDED APPROPRIATION</b>						
FY 2021-22 Appropriation	\$1,937,431	\$0	\$437,056	\$0	\$1,500,375	19.0
Centrally appropriated line items	47,991	0	10,078	0	37,913	0.0
Annualize prior year budget actions	7,152	0	1,502	0	5,650	0.0
<b>TOTAL</b>	<b>\$1,992,574</b>	<b>\$0</b>	<b>\$448,636</b>	<b>\$0</b>	<b>\$1,543,938</b>	<b>19.0</b>
<b>INCREASE/(DECREASE)</b>	<b>\$55,143</b>	<b>\$0</b>	<b>\$11,580</b>	<b>\$0</b>	<b>\$43,563</b>	<b>0.0</b>
Percentage Change	2.8%	n/a	2.6%	n/a	2.9%	0.0%
<b>FY 2022-23 EXECUTIVE REQUEST</b>	<b>\$1,992,574</b>	<b>\$0</b>	<b>\$448,636</b>	<b>\$0</b>	<b>\$1,543,938</b>	<b>19.0</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

**INDIRECT COST ASSESSMENT**

This line item reflects the amount of indirect cost assessments to cash and federal funding sources within the Coal Land Reclamation subdivision. The Department uses the funds collected to offset General Fund that would otherwise be required to pay for services from the Executive Director’s Office.

*REQUEST:* The Department requests an appropriation of \$83,872 total funds, including \$17,613 cash funds and \$66,259 federal funds for FY 2022-23.

*RECOMMENDATION:* Staff recommends an appropriation of \$83,872 total funds, including \$17,613 cash funds and \$66,259 federal funds for FY 2022-23.

DIVISION OF RECLAMATION, MINING, AND SAFETY, COAL LAND RECLAMATION, INDIRECT COST ASSESSMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2021-22 APPROPRIATION</b>						
SB 21-205 (Long Bill)	\$83,620	\$0	\$17,560	\$0	\$66,060	0.0
<b>TOTAL</b>	<b>\$83,620</b>	<b>\$0</b>	<b>\$17,560</b>	<b>\$0</b>	<b>\$66,060</b>	<b>0.0</b>
<b>FY 2022-23 RECOMMENDED APPROPRIATION</b>						
FY 2021-22 Appropriation	\$83,620	\$0	\$17,560	\$0	\$66,060	0.0
Indirect cost assessment	252	0	53	0	199	0.0
<b>TOTAL</b>	<b>\$83,872</b>	<b>\$0</b>	<b>\$17,613</b>	<b>\$0</b>	<b>\$66,259</b>	<b>0.0</b>
<b>INCREASE/(DECREASE)</b>	<b>\$252</b>	<b>\$0</b>	<b>\$53</b>	<b>\$0</b>	<b>\$199</b>	<b>0.0</b>
Percentage Change	0.3%	n/a	0.3%	n/a	0.3%	n/a
<b>FY 2022-23 EXECUTIVE REQUEST</b>	<b>\$83,872</b>	<b>\$0</b>	<b>\$17,613</b>	<b>\$0</b>	<b>\$66,259</b>	<b>0.0</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

## (B) INACTIVE MINES

### PROGRAM COSTS

This line item provides funding for the Inactive Mines Reclamation Program (IMRP), which is responsible for safeguarding abandoned mine openings, and reclaiming pre-law or legacy abandoned mine sites mined prior to passage of SMCRA in 1977. Funding consists of OSM federal grant funds and state cash funds from the Severance Tax Operational Fund.

Unlike the Coal Program, no specific percentage cash match is required but federal funding is contingent on maintaining a federally-approved coal mining regulatory program. OSM funds are limited to use at pre-law sites and may not be used to remedy environmental and water quality issues. The federal funds appropriated in the Long Bill reflect the administrative portion of the federal grant. The IMRP includes 17.8 FTE but the cost of between 7.0 and 11.0 FTE are charged to non-appropriated project funds from the federal Office of Surface Mining, Reclamation, and Enforcement, the Bureau of Land Management, U.S. Forest Service, Environmental Protection Agency, Department of Energy, and other cooperative agreements.

This line item also supports the Mining Non-Point Source (MNPS) Program, formerly included in the Legacy Mine Hydrology Projects line item which was consolidated into the program line item in FY 2020-21. The program helps local entities secure federal funding from the U.S. Environmental Protection Agency (EPA) for water quality improvement (not water treatment) projects at pre-law mine sites abandoned prior to adoption of the Clean Water Act (CWA) of 1972. After mining operations cease in a given location, acid drainage and metal leaching can continue at these sites for many years. The cost of water treatment is now accounted for in the permitting and bonding process for active mine sites, but abandoned legacy mine sites do not have an identifiable party or operator that can be held responsible for remediation. Instead, reclamation must be undertaken voluntarily by local entities and is supported by grant funding with financial and technical assistance from the DRMS.

The MNPS Program uses cash funds from the Severance Tax Operational Fund as matching funds for the federal grants used to support the construction of hydro-geologic controls at legacy sites, including: diversion ditches, mine waste removal, mine waste consolidation, stream diversion, and re-vegetation. Additionally, the DRMS occasionally receives non-appropriated grant funds from CDPHE for which it has continuous spending authority pursuant to Section 34-33-133 (2)(a), C.R.S. The MNPS includes 1.2 FTE for project management.

This line item also supports the former Reclamation of Forfeited Mine Sites line item which was also consolidated into the program line item in FY 2020-21. The General Assembly created this line item in FY 2007-08 to provide funding to reclaim mine sites forfeited due to operator bankruptcy or death, or that had insufficient bonds when the mining permit was revoked. Risks associated with unreclaimed mine sites include water contamination, unstable soils, volatile gases and explosives, and open pits. Funding available for reclamation at forfeited mine sites is largely determined by the date of forfeiture:

- 1 Mines forfeited prior to 1977 qualify for federal funding from the Office of Surface Mining and receive some severance tax revenue through the Program Costs and Legacy Mine Hydrology Projects line items in this subdivision. Sites treated under this line item are not eligible for federal funds that can be used for pre-1977 mines.
- 2 Between 1977 and 1993 mine operators were required to post bonds, but the bonds were capped in statute by mine type and were not tailored to the features of individual mine sites. As a result, the capped bonds were sometimes inadequate to fully fund reclamation at sites from this period and, prior to the establishment of this line item, the DRMS was only able to address the sites as funding permitted.
- 3 Mines established after 1993 have individually-calculated bond requirements based on size, type of disturbance, on-site structures, surrounding environmental impacts, and construction costs. While the bonds from mines forfeited after 1993 have generally been adequate to address necessary reclamation work, the DRMS still encounters an average of two mine sites per year with bond shortages or failures that require additional funding to fully reclaim. This situation can occur if a mine site has changed between permitting/bonding and forfeiture.

This line item also supports the former Emergency Response Costs line item which was also consolidated into the program line item in FY 2020-21. This appropriation provides funds for the Department to use for an initial response to environmental emergencies at both permitted and legacy mining sites. For large-scale emergencies, there are procedures for the Governor and/or the JBC to make additional funding available, but the appropriation in this line item can be used immediately while other funds are secured. Additionally, even if affected sites have financial warranties, it often takes time to go through the required regulatory procedures needed to liquidate the bonds and other warranty instruments for abandoned mine sites. By providing an immediately available source of funds, the Division is able to avoid increased remediation costs that may be incurred by a delay in responding to environmental emergencies due to funding. Contractors perform the environmental remediation work and no FTE are associated with emergency activity.

To accommodate projects completed at high elevation locations, the time required for landowner and contract approval prior to actual work at each site, and due to the length of time mine reclamation can take to complete, the former Legacy Mine Hydrology Projects and Reclamation of Forfeited Mine Sites line items included three-year spending authority, authorized by Long Bill footnote. The consolidated Program Costs line item was accorded three-year spending authority at the time of consolidation in FY 2020-21.

*STATUTORY AUTHORITY:* Sections 34-21-101 to 34-21-103, C.R.S., Section 34-24-110, C.R.S., Sections 34-32-118 and 34-32.5-118, Sections 34-32-122, 34-32-124 and 34-32-124.5, C.R.S., Section 34-33-133, C.R.S., and Section 34-34-101, *et seq.*, C.R.S.

*REQUEST:* The Department requests an appropriation of \$2,669,904 total funds including \$1,244,196 cash funds and \$1,425,708 federal funds and 17.8 FTE for FY 2022-23.

*RECOMMENDATION:* Staff recommends an appropriation of \$2,669,904 total funds including \$1,244,196 cash funds and \$1,425,708 federal funds and 17.8 FTE for FY 2022-23. Staff recommends continuing three-year spending authority and the related RFI.

DIVISION OF RECLAMATION, MINING, AND SAFETY, INACTIVE MINES, PROGRAM COSTS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2021-22 APPROPRIATION</b>						
SB 21-205 (Long Bill)	\$2,610,860	\$0	\$1,240,329	\$0	\$1,370,531	17.8
<b>TOTAL</b>	<b>\$2,610,860</b>	<b>\$0</b>	<b>\$1,240,329</b>	<b>\$0</b>	<b>\$1,370,531</b>	<b>17.8</b>
<b>FY 2022-23 RECOMMENDED APPROPRIATION</b>						
FY 2021-22 Appropriation	\$2,610,860	\$0	\$1,240,329	\$0	\$1,370,531	17.8
Centrally appropriated line items	51,748	0	3,620	0	48,128	0.0
Annualize prior year budget actions	7,296	0	247	0	7,049	0.0
<b>TOTAL</b>	<b>\$2,669,904</b>	<b>\$0</b>	<b>\$1,244,196</b>	<b>\$0</b>	<b>\$1,425,708</b>	<b>17.8</b>
<b>INCREASE/(DECREASE)</b>	<b>\$59,044</b>	<b>\$0</b>	<b>\$3,867</b>	<b>\$0</b>	<b>\$55,177</b>	<b>0.0</b>
Percentage Change	2.3%	n/a	0.3%	n/a	4.0%	0.0%
<b>FY 2022-23 EXECUTIVE REQUEST</b>	<b>\$2,669,904</b>	<b>\$0</b>	<b>\$1,244,196</b>	<b>\$0</b>	<b>\$1,425,708</b>	<b>17.8</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

**INDIRECT COST ASSESSMENT**

This line item reflects the amount of indirect cost assessments to cash and federal funding sources within the Inactive Mines subdivision. The Department uses the funds collected to offset General Fund that would otherwise be required to pay for services from the Executive Director’s Office.

*REQUEST:* The Department requests an appropriation of \$228,141 total funds, including \$19,604 cash funds and \$208,537 federal funds for FY 2022-23.

*RECOMMENDATION:* Staff recommends an appropriation of \$228,141 total funds, including \$19,604 cash funds and \$208,537 federal funds for FY 2022-23.

DIVISION OF RECLAMATION, MINING, AND SAFETY, INACTIVE MINES, INDIRECT COST ASSESSMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2021-22 APPROPRIATION</b>						
SB 21-205 (Long Bill)	\$194,607	\$0	\$15,513	\$0	\$179,094	0.0
<b>TOTAL</b>	<b>\$194,607</b>	<b>\$0</b>	<b>\$15,513</b>	<b>\$0</b>	<b>\$179,094</b>	<b>0.0</b>
<b>FY 2022-23 RECOMMENDED APPROPRIATION</b>						
FY 2021-22 Appropriation	\$194,607	\$0	\$15,513	\$0	\$179,094	0.0
Indirect cost assessment	33,534	0	4,091	0	29,443	0.0
<b>TOTAL</b>	<b>\$228,141</b>	<b>\$0</b>	<b>\$19,604</b>	<b>\$0</b>	<b>\$208,537</b>	<b>0.0</b>
<b>INCREASE/(DECREASE)</b>	<b>\$33,534</b>	<b>\$0</b>	<b>\$4,091</b>	<b>\$0</b>	<b>\$29,443</b>	<b>0.0</b>
Percentage Change	17.2%	n/a	26.4%	n/a	16.4%	n/a
<b>FY 2022-23 EXECUTIVE REQUEST</b>	<b>\$228,141</b>	<b>\$0</b>	<b>\$19,604</b>	<b>\$0</b>	<b>\$208,537</b>	<b>0.0</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

(C) MINERALS

PROGRAM COSTS

This program issues and enforces mining and reclamation permits for all non-coal mines in Colorado on state, federal, and private lands. The types of minerals regulated under this program include metals (e.g. gold, silver, and molybdenum), construction materials (e.g. sand, gravel, marble, and flagstone), uranium, and vanadium. The Minerals Program also regulates oil shale development but coordinates extensively with the Oil and Gas Conservation Commission in reviewing permits and conducting inspections. Additionally, operating costs of the Mined Land Reclamation Board are paid from this line item. Fund sources include permitting fees deposited in the Mined Land Reclamation Fund and severance tax revenues from the Severance Tax Operational Fund for Core Programs. Most fees are set in statute, but some are set by rule pursuant to Section 34-32-127, C.R.S.

*STATUTORY AUTHORITY:* Sections 34-32-101, *et seq.*, and 34-32.5-101, *et seq.*, C.R.S.

*REQUEST:* The Department requests an appropriation of \$2,467,586 cash funds and 23.0 FTE for FY 2022-23.

*RECOMMENDATION:* Staff recommends an appropriation of \$2,467,586 cash funds and 23.0 FTE for FY 2022-23.

DIVISION OF RECLAMATION, MINING, AND SAFETY, MINERALS, PROGRAM COSTS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2021-22 APPROPRIATION</b>						
SB 21-205 (Long Bill)	\$2,403,168	\$0	\$2,403,168	\$0	\$0	23.0
<b>TOTAL</b>	<b>\$2,403,168</b>	<b>\$0</b>	<b>\$2,403,168</b>	<b>\$0</b>	<b>\$0</b>	<b>23.0</b>
<b>FY 2022-23 RECOMMENDED APPROPRIATION</b>						
FY 2021-22 Appropriation	\$2,403,168	\$0	\$2,403,168	\$0	\$0	23.0
Centrally appropriated line items	55,274	0	55,274	0	0	0.0

DIVISION OF RECLAMATION, MINING, AND SAFETY, MINERALS, PROGRAM COSTS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Annualize prior year budget actions	9,144	0	9,144	0	0	0.0
<b>TOTAL</b>	<b>\$2,467,586</b>	<b>\$0</b>	<b>\$2,467,586</b>	<b>\$0</b>	<b>\$0</b>	<b>23.0</b>
<b>INCREASE/(DECREASE)</b>	<b>\$64,418</b>	<b>\$0</b>	<b>\$64,418</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0</b>
Percentage Change	2.7%	n/a	2.7%	n/a	n/a	0.0%
<b>FY 2022-23 EXECUTIVE REQUEST</b>	<b>\$2,467,586</b>	<b>\$0</b>	<b>\$2,467,586</b>	<b>\$0</b>	<b>\$0</b>	<b>23.0</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

### INDIRECT COST ASSESSMENT

This line item reflects the amount of indirect cost assessments to cash and federal funding sources within the Minerals subdivision. The Department uses the funds collected to offset General Fund that would otherwise be required to pay for services from the Executive Director’s Office.

*REQUEST:* The Department requests an appropriation of \$106,620 cash funds for FY 2022-23.

*RECOMMENDATION:* Staff recommends an appropriation of \$106,620 cash funds for FY 2022-23.

DIVISION OF RECLAMATION, MINING, AND SAFETY, MINERALS, INDIRECT COST ASSESSMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2021-22 APPROPRIATION</b>						
SB 21-205 (Long Bill)	\$104,116	\$0	\$104,116	\$0	\$0	0.0
<b>TOTAL</b>	<b>\$104,116</b>	<b>\$0</b>	<b>\$104,116</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0</b>
<b>FY 2022-23 RECOMMENDED APPROPRIATION</b>						
FY 2021-22 Appropriation	\$104,116	\$0	\$104,116	\$0	\$0	0.0
Indirect cost assessment	2,504	0	2,504	0	0	0.0
<b>TOTAL</b>	<b>\$106,620</b>	<b>\$0</b>	<b>\$106,620</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0</b>
<b>INCREASE/(DECREASE)</b>	<b>\$2,504</b>	<b>\$0</b>	<b>\$2,504</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0</b>
Percentage Change	2.4%	n/a	2.4%	n/a	n/a	n/a
<b>FY 2022-23 EXECUTIVE REQUEST</b>	<b>\$106,620</b>	<b>\$0</b>	<b>\$106,620</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

## (D) MINES PROGRAM

### COLORADO AND FEDERAL MINE SAFETY PROGRAM

This program conducts safety audits of active mines, provides mine rescue and safety training, produces and distributes mine safety training materials, and inspects tourist mines. Federal funds are from the Mine Safety and Health Administration in the U.S. Department of Labor and account for the majority of program funding. The remainder of the appropriation is comprised of cash funds from the Severance Tax Operational Fund and a small amount of fee revenue from coal mine certification exams and training materials.

*STATUTORY AUTHORITY:* Articles 20 to 24 of Title 34, C.R.S.

*REQUEST:* The Department requests an appropriation of \$564,440 total funds including \$374,795 cash funds and \$189,645 federal funds and 4.0 FTE for FY 2022-23.

*RECOMMENDATION:* Staff recommends an appropriation of \$564,440 total funds including \$374,795 cash funds and \$189,645 federal funds and 4.0 FTE for FY 2022-23.

DIVISION OF RECLAMATION, MINING, AND SAFETY, MINES PROGRAM, COLORADO AND FEDERAL MINE SAFETY PROGRAM						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2021-22 APPROPRIATION</b>						
SB 21-205 (Long Bill)	\$558,281	\$0	\$368,636	\$0	\$189,645	4.0
<b>TOTAL</b>	<b>\$558,281</b>	<b>\$0</b>	<b>\$368,636</b>	<b>\$0</b>	<b>\$189,645</b>	<b>4.0</b>
<b>FY 2022-23 RECOMMENDED APPROPRIATION</b>						
FY 2021-22 Appropriation	\$558,281	\$0	\$368,636	\$0	\$189,645	4.0
Centrally appropriated line items	5,715	0	5,715	0	0	0.0
Annualize prior year budget actions	444	0	444	0	0	0.0
<b>TOTAL</b>	<b>\$564,440</b>	<b>\$0</b>	<b>\$374,795</b>	<b>\$0</b>	<b>\$189,645</b>	<b>4.0</b>
<b>INCREASE/(DECREASE)</b>	<b>\$6,159</b>	<b>\$0</b>	<b>\$6,159</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0</b>
Percentage Change	1.1%	n/a	1.7%	n/a	0.0%	0.0%
<b>FY 2022-23 EXECUTIVE REQUEST</b>	<b>\$564,440</b>	<b>\$0</b>	<b>\$374,795</b>	<b>\$0</b>	<b>\$189,645</b>	<b>4.0</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

**BLASTER CERTIFICATION PROGRAM**

This line item provides funding for the Blaster Certification Program, which administers certification exams required by certain coal mine officials as specified in Section 34-22-105, C.R.S. Federal funds from the OSM account for 74.7 percent of program funding with a 21.0 percent state match from the Severance Tax Operational Fund.

*STATUTORY AUTHORITY:* Section 34-33-101, *et seq.*, C.R.S.

*REQUEST:* The Department requests an appropriation of \$134,338 total funds, including \$33,737 cash funds and \$100,601 federal funds and 1.0 FTE for FY 2022-23.

*RECOMMENDATION:* JBC staff recommends an appropriation of \$134,338 total funds, including \$33,737 cash funds and \$100,601 federal funds and 1.0 FTE for FY 2022-23.

DIVISION OF RECLAMATION, MINING, AND SAFETY, MINES PROGRAM, BLASTER CERTIFICATION PROGRAM						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2021-22 APPROPRIATION</b>						
SB 21-205 (Long Bill)	\$127,069	\$0	\$32,211	\$0	\$94,858	1.0



DIVISION OF RECLAMATION, MINING, AND SAFETY, MINES PROGRAM, BLASTER CERTIFICATION PROGRAM						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>TOTAL</b>	<b>\$127,069</b>	<b>\$0</b>	<b>\$32,211</b>	<b>\$0</b>	<b>\$94,858</b>	<b>1.0</b>
FY 2022-23 RECOMMENDED APPROPRIATION						
FY 2021-22 Appropriation	\$127,069	\$0	\$32,211	\$0	\$94,858	1.0
Centrally appropriated line items	6,305	0	1,324	0	4,981	0.0
Annualize prior year budget actions	964	0	202	0	762	0.0
<b>TOTAL</b>	<b>\$134,338</b>	<b>\$0</b>	<b>\$33,737</b>	<b>\$0</b>	<b>\$100,601</b>	<b>1.0</b>
<b>INCREASE/(DECREASE)</b>	<b>\$7,269</b>	<b>\$0</b>	<b>\$1,526</b>	<b>\$0</b>	<b>\$5,743</b>	<b>0.0</b>
Percentage Change	5.7%	n/a	4.7%	n/a	6.1%	0.0%
<b>FY 2022-23 EXECUTIVE REQUEST</b>	<b>\$134,338</b>	<b>\$0</b>	<b>\$33,737</b>	<b>\$0</b>	<b>\$100,601</b>	<b>1.0</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

### INDIRECT COST ASSESSMENT

This line item reflects the amount of indirect cost assessments to cash and federal funding sources within the Mines Program subdivision. The Department uses the funds collected to offset General Fund that would otherwise be required to pay for services from the Executive Director’s Office.

*REQUEST:* The Department requests an appropriation of \$15,098 total funds, including \$7,029 cash funds and \$8,069 federal funds for FY 2022-23.

*RECOMMENDATION:* Staff recommends an appropriation of \$15,098 total funds, including \$7,029 cash funds and \$8,069 federal funds for FY 2022-23.

DIVISION OF RECLAMATION, MINING, AND SAFETY, MINES PROGRAM, INDIRECT COST ASSESSMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2021-22 APPROPRIATION						
SB 21-205 (Long Bill)	\$15,869	\$0	\$9,682	\$0	\$6,187	0.0
<b>TOTAL</b>	<b>\$15,869</b>	<b>\$0</b>	<b>\$9,682</b>	<b>\$0</b>	<b>\$6,187</b>	<b>0.0</b>
FY 2022-23 RECOMMENDED APPROPRIATION						
FY 2021-22 Appropriation	\$15,869	\$0	\$9,682	\$0	\$6,187	0.0
Indirect cost assessment	(771)	0	(2,653)	0	1,882	0.0
<b>TOTAL</b>	<b>\$15,098</b>	<b>\$0</b>	<b>\$7,029</b>	<b>\$0</b>	<b>\$8,069</b>	<b>0.0</b>
<b>INCREASE/(DECREASE)</b>	<b>(\$771)</b>	<b>\$0</b>	<b>(\$2,653)</b>	<b>\$0</b>	<b>\$1,882</b>	<b>0.0</b>
Percentage Change	(4.9%)	n/a	(27.4%)	n/a	30.4%	n/a
<b>FY 2022-23 EXECUTIVE REQUEST</b>	<b>\$15,098</b>	<b>\$0</b>	<b>\$7,029</b>	<b>\$0</b>	<b>\$8,069</b>	<b>0.0</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

### (3) OIL AND GAS CONSERVATION COMMISSION

The Oil and Gas Conservation Commission (OGCC) is charged with promoting the responsible exploration, development, and conservation of Colorado's oil and natural gas resources. To achieve these goals, the Commission promulgates regulations governing oil and gas development, issues permits, enforces laws and regulations, maintains a financial surety program to ensure proper reclamation of well sites, and provides information to the public and industry pertaining to oil and gas production. The Commission also has the authority to regulate oil and gas operations to protect public health and prevent significant adverse environmental impacts. In addition to enforcement, the OGCC responds to complaints and inquiries, responds to oil and gas spills and other environmental emergencies at production sites, manages plugging and reclamation work at abandoned well sites, and performs baseline water quality studies.

OIL AND GAS CONSERVATION COMMISSION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2021-22 Appropriation</b>						
SB 21-205 (Long Bill)	\$20,158,659	\$0	\$20,055,448	\$0	\$103,211	147.3
Other legislation	49,362	0	49,362	0	0	0.5
<b>TOTAL</b>	<b>\$20,208,021</b>	<b>\$0</b>	<b>\$20,104,810</b>	<b>\$0</b>	<b>\$103,211</b>	<b>147.8</b>
<b>FY 2022-23 RECOMMENDED APPROPRIATION</b>						
FY 2021-22 Appropriation	\$20,208,021	\$0	\$20,104,810	\$0	\$103,211	147.8
Annualize prior year legislation	(49,362)	0	(49,362)	0	0	(0.5)
Annualize prior year budget actions	55,515	0	55,515	0	0	0.0
Centrally appropriated line items	366,573	0	366,573	0	0	0.0
Indirect cost assessment	56,812	0	60,846	0	(4,034)	0.0
<b>TOTAL</b>	<b>\$20,637,559</b>	<b>\$0</b>	<b>\$20,538,382</b>	<b>\$0</b>	<b>\$99,177</b>	<b>147.3</b>
<b>INCREASE/(DECREASE)</b>	<b>\$429,538</b>	<b>\$0</b>	<b>\$433,572</b>	<b>\$0</b>	<b>(\$4,034)</b>	<b>(0.5)</b>
Percentage Change	2.1%	n/a	2.2%	n/a	(3.9%)	(0.3%)
<b>FY 2022-23 EXECUTIVE REQUEST</b>	<b>\$20,637,559</b>	<b>\$0</b>	<b>\$20,538,382</b>	<b>\$0</b>	<b>\$99,177</b>	<b>147.3</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

#### DECISION ITEMS – OIL AND GAS CONSERVATION COMMISSION (NONE)

The Department request for FY 2022-23 did not include any decision items or budget amendments that impact solely the Oil and Gas Conservation Commission.

#### LINE ITEM DETAIL – OIL AND GAS CONSERVATION COMMISSION

##### PROGRAM COSTS

This line item supports the majority of personal services and operating expenses for the OGCC. Approximately 41 percent of the funding for this line item is from the Severance Tax Operational Fund. The other 59 percent is from the Oil and Gas Conservation and Environmental Response (Response) Fund. The Response Fund is supported by a statewide mill levy on the market value of oil and gas production. Pursuant to Section 34-60-122 (1)(a), C.R.S., the mill levy rate is capped at a

maximum of 1.7 mills, but the Commission has the authority to increase or decrease the mill levy rate under the cap if necessary to align revenue with expenditures from the Response Fund. The current rate is 1.5 mills.

*STATUTORY AUTHORITY:* Section 34-60-101 et seq., C.R.S.

*REQUEST:* The Department requests an appropriation of \$15,236,210 cash funds and 145.3 FTE for FY 2022-23.

*RECOMMENDATION:* Staff recommends an appropriation of \$15,236,210 cash funds and 145.3 FTE for FY 2022-23. The following table includes an adjustment for annualization of prior year legislation.

ANNUALIZE PRIOR YEAR LEGISLATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
SB21-264 Greenhouse gas emissions	(\$49,362)	\$0	(\$49,362)	\$0	\$0	(0.5)
<b>TOTAL</b>	<b>(\$49,362)</b>	<b>\$0</b>	<b>(\$49,362)</b>	<b>\$0</b>	<b>\$0</b>	<b>(0.5)</b>

OIL AND GAS CONSERVATION COMMISSION, PROGRAM COSTS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2021-22 APPROPRIATION</b>						
SB 21-205 (Long Bill)	\$14,814,122	\$0	\$14,814,122	\$0	\$0	145.3
Other legislation	49,362	0	49,362	0	0	0.5
<b>TOTAL</b>	<b>\$14,863,484</b>	<b>\$0</b>	<b>\$14,863,484</b>	<b>\$0</b>	<b>\$0</b>	<b>145.8</b>
<b>FY 2022-23 RECOMMENDED APPROPRIATION</b>						
FY 2021-22 Appropriation	\$14,863,484	\$0	\$14,863,484	\$0	\$0	145.8
Centrally appropriated line items	366,573	0	366,573	0	0	0.0
Annualize prior year budget actions	55,515	0	55,515	0	0	0.0
Annualize prior year legislation	(49,362)	0	(49,362)	0	0	(0.5)
<b>TOTAL</b>	<b>\$15,236,210</b>	<b>\$0</b>	<b>\$15,236,210</b>	<b>\$0</b>	<b>\$0</b>	<b>145.3</b>
<b>INCREASE/(DECREASE)</b>	<b>\$372,726</b>	<b>\$0</b>	<b>\$372,726</b>	<b>\$0</b>	<b>\$0</b>	<b>(0.5)</b>
Percentage Change	2.5%	n/a	2.5%	n/a	n/a	(0.3%)
<b>FY 2022-23 EXECUTIVE REQUEST</b>	<b>\$15,236,210</b>	<b>\$0</b>	<b>\$15,236,210</b>	<b>\$0</b>	<b>\$0</b>	<b>145.3</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

### UNDERGROUND INJECTION PROGRAM

This line item supports the Underground Injection Control Program, which is responsible for the regulation of Class II underground injection wells under authority delegated to the OGCC by the U.S. Environmental Protection Agency (EPA). This includes overseeing the injection of oil and gas production wastes or the injection of liquids to enhance fuel recovery, as well as the inspecting and permitting of sites where these underground injections occur. Program funding comes from a federal grant through the EPA.

*STATUTORY AUTHORITY:* Section 34-60-101, et seq., C.R.S.

*REQUEST:* The Department requests a continuation informational appropriation of \$96,559 federal funds and 2.0 FTE for FY 2022-23.

*RECOMMENDATION:* Staff recommends reflecting a continuation appropriation of \$96,559 federal funds and 2.0 FTE for FY 2022-23.

#### PLUGGING AND RECLAIMING ORPHANED WELLS

This line item provides funding to plug and reclaim orphaned oil and gas well sites where there is no known responsible party or financial bonds are insufficient to fully cover the cost of reclamation. The source of funds is the Oil and Gas Conservation and Environmental Response Fund. The General Assembly increased the appropriation for this line item to \$5,011,000 in FY 2018-19 and FY 2019-20 to respond to an increased emphasis on addressing orphaned wells. This appropriation decreased to \$3,850,000 in FY 2020-21. The appropriation provides two-year spending authority by footnote as follows:

XX Department of Natural Resources, Oil and Gas Conservation Commission, Plugging and Reclaiming Orphaned Wells -- This appropriation shall remain available until fully expended or the close of FY 2023-24, whichever comes first.

*STATUTORY AUTHORITY:* Section 34-60-101, *et seq.*, C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$3,850,000 cash funds for FY 2022-23.

*RECOMMENDATION:* Staff recommends a continuation appropriation of \$3,850,000 cash funds with two years of spending authority for FY 2022-23.

#### ENVIRONMENTAL ASSISTANCE AND COMPLAINT RESOLUTION

This line item funds environmental assistance projects such as baseline water quality studies, studies on the beneficial reuse of production wastes, remediation projects, and studies to better understand air emissions from oil and gas activities. Funding is also used for water, soil, and air sampling in response to citizen complaints, reported spills, and field investigations. This line provides funding for on-going studies and emergent issues with a direct link to protecting public safety. The source of funds is penalties deposited in the Environmental Response Account established in Section 34-60-122 (5), C.R.S., within the Oil and Gas Conservation and Environmental Response Fund.

*STATUTORY AUTHORITY:* Section 34-60-101, *et seq.*, C.R.S.

*REQUEST AND RECOMMENDATION:* The Department requests a continuation appropriation of \$312,033 cash funds for FY 2022-23.

*RECOMMENDATION:* Staff recommends a continuation appropriation of \$312,033 cash funds for FY 2022-23.

## EMERGENCY RESPONSE

This line item is intended to be used – if and when necessary – for emergency response. The OGCC also uses this line item to address high-risk wells that have been orphaned and require immediate reclamation work to stabilize. Prior to 2006, there were a number of emergency funding requests both during the session and during the interim. The line was created out of concern that emergency funding would be necessary during a time when the JBC was not meeting during the interim, delaying a response until the approval of an interim supplemental. A footnote attached to the line item explains the purpose as follows:

XX Department of Natural Resources, Oil and Gas Conservation Commission, Emergency Response -- It is the intent of the General Assembly that this appropriation be expended if there is an oil and gas related emergency under the jurisdiction of the Oil and Gas Conservation Commission. The purpose of this appropriation is to fund investigation, prevention, monitoring, and mitigation of circumstances caused by or that are alleged to be associated with oil and gas activities and that call for immediate action by the Oil and Gas Conservation Commission.

*STATUTORY AUTHORITY:* Section 34-60-101, *et seq.*, C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$150,000 cash funds for FY 2022-23.

*RECOMMENDATION:* Staff recommends a continuation appropriation of \$150,000 cash funds and continuation of the footnote for FY 2022-23.

## SPECIAL ENVIRONMENTAL PROTECTION AND MITIGATION STUDIES

The General Assembly created this line item in FY 2006-07 with an appropriation of \$500,000 cash funds from the Oil and Gas Conservation and Environmental Response Fund, but reduced funding to the current level of \$325,000 cash funds in FY 2009-10.

*STATUTORY AUTHORITY:* Section 34-60-101, *et seq.*, C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$325,000 cash funds for FY 2022-23.

*RECOMMENDATION:* Staff recommends a continuation appropriation of \$325,000 cash funds for FY 2022-23.

## INDIRECT COST ASSESSMENT

This line item reflects the amount of indirect cost assessments to cash and federal funding sources within the OGCC. The Department uses the funds collected to offset General Fund that would otherwise be required to pay for services from the Executive Director's Office.

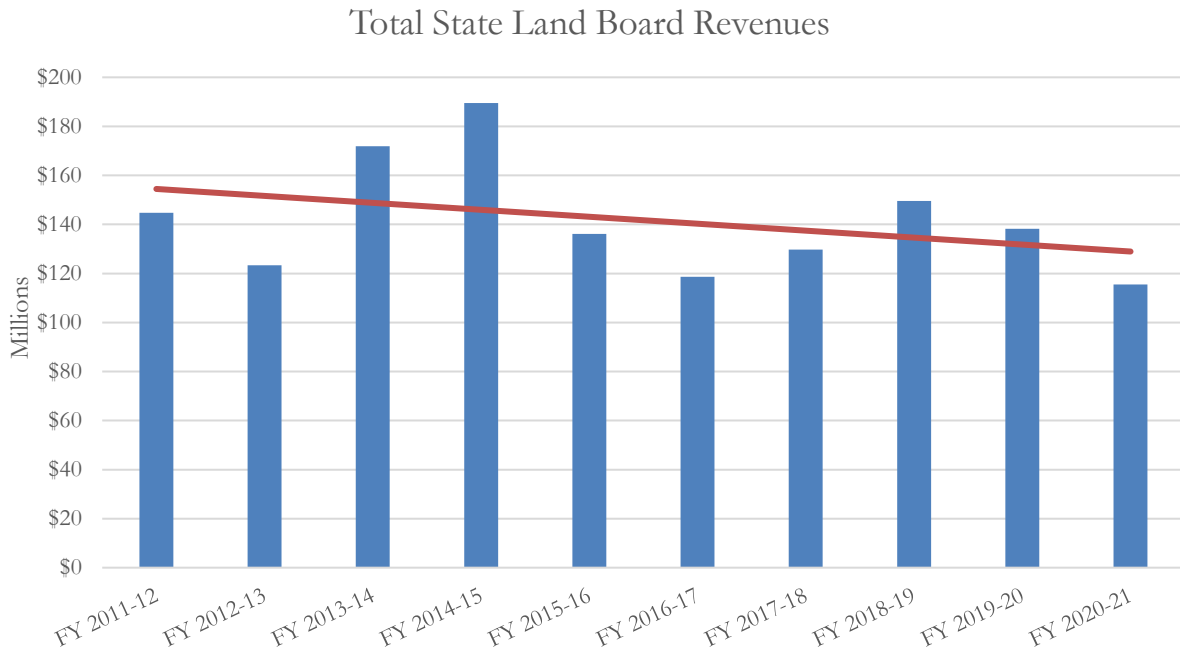
*REQUEST:* The Department requests an appropriation of \$667,757 total funds, including \$665,139 cash funds and \$2,618 federal funds for FY 2022-23.

*RECOMMENDATION:* Staff recommends an appropriation of \$667,757 total funds, including \$665,139 cash funds and \$2,618 federal funds for FY 2022-23.

OIL AND GAS CONSERVATION COMMISSION, INDIRECT COST ASSESSMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2021-22 APPROPRIATION</b>						
SB 21-205 (Long Bill)	\$610,945	\$0	\$604,293	\$0	\$6,652	0.0
<b>TOTAL</b>	<b>\$610,945</b>	<b>\$0</b>	<b>\$604,293</b>	<b>\$0</b>	<b>\$6,652</b>	<b>0.0</b>
<b>FY 2022-23 RECOMMENDED APPROPRIATION</b>						
FY 2021-22 Appropriation	\$610,945	\$0	\$604,293	\$0	\$6,652	0.0
Indirect cost assessment	56,812	0	60,846	0	(4,034)	0.0
<b>TOTAL</b>	<b>\$667,757</b>	<b>\$0</b>	<b>\$665,139</b>	<b>\$0</b>	<b>\$2,618</b>	<b>0.0</b>
<b>INCREASE/(DECREASE)</b>	<b>\$56,812</b>	<b>\$0</b>	<b>\$60,846</b>	<b>\$0</b>	<b>(\$4,034)</b>	<b>0.0</b>
Percentage Change	9.3%	n/a	10.1%	n/a	(60.6%)	n/a
<b>FY 2022-23 EXECUTIVE REQUEST</b>	<b>\$667,757</b>	<b>\$0</b>	<b>\$665,139</b>	<b>\$0</b>	<b>\$2,618</b>	<b>0.0</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

## (4) STATE BOARD OF LAND COMMISSIONERS

The State Land Board manages agricultural, commercial, mineral, and other leases on state-owned lands, and is charged with generating reasonable and consistent revenue for eight trust beneficiaries over time. Total trust assets include approximately 2.8 million surface acres and 4.0 million mineral or subsurface acres. Total Land Board revenue for FY 2020-21 was \$115.4 million compared to \$138.2 million in FY 2019-20, a decrease of 16.5 percent. JBC staff and Land Board staff both agree that despite fluctuations, it is likely that revenue will continue to decline, as a large portion of the Land Board's revenues come from royalties on oil and gas extraction, which is itself declining. The following chart shows the last 10 years of Land Board revenues.



The Public School Trust benefiting K-12 education is the largest of the nine trusts managed by the State Land Board, accounting for approximately 94.0 percent of total trust land surface acres and 98.8 percent of total trust revenues in FY 2020-21.

The eight smaller trusts managed by the State Land Board benefit a range of entities including institutions of higher education, state parks, and the Department of Corrections. Revenues for these trusts ranged from \$0 to \$716,086 in FY 2020-21, and account for the remaining 1.2 percent of total trust revenues.

STATE BOARD OF LAND COMMISSIONERS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2021-22 Appropriation</b>						
SB 21-205 (Long Bill)	\$5,360,321	\$0	\$5,135,321	\$225,000	\$0	42.0
<b>TOTAL</b>	<b>\$5,360,321</b>	<b>\$0</b>	<b>\$5,135,321</b>	<b>\$225,000</b>	<b>\$0</b>	<b>42.0</b>
<b>FY 2022-23 RECOMMENDED APPROPRIATION</b>						
FY 2021-22 Appropriation	\$5,360,321	\$0	\$5,135,321	\$225,000	\$0	42.0
R5 Land board water resources manager	107,284	0	107,284	0	0	1.0
Centrally appropriated line items	106,740	0	106,740	0	0	0.0
Annualize prior year budget actions	16,649	0	16,649	0	0	0.0
Indirect cost assessment	8,788	0	8,788	0	0	0.0
<b>TOTAL</b>	<b>\$5,599,782</b>	<b>\$0</b>	<b>\$5,374,782</b>	<b>\$225,000</b>	<b>\$0</b>	<b>43.0</b>
<b>INCREASE/(DECREASE)</b>	<b>\$239,461</b>	<b>\$0</b>	<b>\$239,461</b>	<b>\$0</b>	<b>\$0</b>	<b>1.0</b>
Percentage Change	4.5%	n/a	4.7%	0.0%	n/a	2.4%
<b>FY 2022-23 EXECUTIVE REQUEST</b>	<b>\$5,599,766</b>	<b>\$0</b>	<b>\$5,374,766</b>	<b>\$225,000</b>	<b>\$0</b>	<b>43.0</b>
Request Above/(Below) Recommendation	(\$16)	\$0	(\$16)	\$0	\$0	0.0

## DECISION ITEMS – STATE LAND BOARD

### → R5 LAND BOARD WATER RESOURCES MANAGER

*REQUEST:* The Department is requesting an increase of \$130,335 cash funds from the State Land Board Trust Administration Fund and 1.0 FTE to hire a Water Resources Manager. The Department indicates that funding is for the implementation of a theory-informed program as defined in S.B. 21-284 (Evidence-based evaluation for budget). Based on JBC staff analysis and pursuant to S.B. 21-284, assignment of a level of evidence is not applicable to this budget request.

*RECOMMENDATION:* **Staff recommends approval of \$107,284 cash funds from the State Land Board Trust Administration Fund to support 1.0 FTE.** This recommendation is consistent with the Joint Budget Committee’s decision on appropriations regarding new FTE.

*ANALYSIS:*

**WATER RIGHTS:**

From 2010-2020 Colorado’s population grew by 14.8% - which was the fifth highest rate in the country.<sup>1</sup> With population growth comes demand for more water, and increased demand means increased value of Colorado’s water resources. This growth, coupled with the drought conditions that most of the western half of the country have been living under for many years now creates a situation where there is an increasing demand for water and a dwindling supply. Basic economics dictates that the value of any resource under those conditions will increase in value.

Water is no different, and indeed there has been recognition from governments and private industry seeing water as a valuable commodity now and in the future. Firms like Water Asset Management (WAM) have recently begun buying land and water rights in various western states, Colorado included. There is a fear among some that these water rights will simply be used as a financial tool for these

<sup>1</sup> <https://www.denverpost.com/2021/08/13/colorado-census-data-population-growth/>



firms by holding the rights and waiting for cities and states to come to them in times of crisis and buy the water at high prices.<sup>2</sup>

While this type of speculation is always a concern, the nature of Western water law makes that proposition more difficult. Colorado and the other states west of the Great Plains regulate their water rights based on the doctrine of prior appropriation. What this doctrine means, in the simplest terms, is “first in time, first in right.” To expand, the oldest water rights have primacy over all younger rights, and the oldest claims have the right to use as much water as they need before any other rights can be exercised.<sup>3</sup>

Another important aspect of this doctrine, and the one that could be an impediment to pure speculation, is the requirement to put the water to beneficial use. In Colorado, failure to apply a water right to beneficial use for a period of ten years or more results in the presumption of abandonment. Once a right has been determined to be ‘abandoned’, that right is terminated, and the next oldest right takes precedent.<sup>4</sup>

The final important characteristic of the prior appropriation doctrine is that water rights are a property interest separate from the land, and can therefore be bought and sold independently of the adjacent land.<sup>5</sup>

All of this is to say that water rights and the management thereof are becoming more important, more complex, and more valuable as they relate to current population and climatological trends. As such, it is becoming more and more crucial that Colorado have the ability and expertise to protect its water rights while at the same time using them in the most optimal way to maximize potential revenues in the future.

#### DUTIES:

The State Board of Land Commissioners (SLB) has a constitutional responsibility to produce reasonable and consistent income over time from trust assets while protecting and enhancing the long-term value and productivity of trust land, mineral, water, and commercial assets through the application of sound stewardship. To this end, SLB has over time built a considerable knowledge base around land-based resource management, but has not done the same for water. As water resource management has become more important, the Division has delegated responsibilities for water resource management to staff whose primary expertise and responsibility relates to land-based resource management. This has left the Division at a disadvantage when examining agreements and opportunities based around water rights.

For this reason, the Department is requesting funding to hire a Water Resources Manager with subject-area expertise and the ability to better position SLB in future water rights dealings. More specifically, this position will manage the acquisition, disposition, use and care, marketing, legal protection, accounting, and reporting of all SLB water rights and water resources.

On a day-to-day basis, the Water Resources Manager will be responsible for the following:

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<sup>2</sup> <https://www.nytimes.com/2021/01/03/business/colorado-river-water-rights.html>

<sup>3</sup> <https://www.lytlewater.com/blog/prior-appropriation-water-rights-riparian-rights>

<sup>4</sup> ibid

<sup>5</sup> ibid

- Continual evaluation of SLB’s water assets;
- Examination and interpretation of the history of rights ownership changes in Colorado;
- Negotiation and monitoring of water rights and use agreements;
- Ensuring assets are put to productive and sustainable use;
- Coordinating projects across various lines of business to ensure water rights are applied to leases sustainably to generate consistent revenue;
- Analyzing potential opportunities to acquire water rights that could provide value to SLB leasing;
- Improving SLB record maintenance, upkeep, and management; and
- Coordinating with the Division of Water Resources, the Water Commissioners, and Division engineers to ensure water rights obligations are met.

On a more long-term timeline, the Water Resources Manager will have the following responsibilities:

- Creating and implementing a long-term water resources plan to support SLB leasing goals;
- Balancing sustainability with revenue generation to optimize SLB leasing activity; and
- Acting as the subject matter expert in front of the Board of Land Commissioners.

#### CURRENT SOLUTION:

Currently, duties that can be handled by existing staff are done so, and when the Division feels that it is not equipped to fully understand all the implications of a lease agreement involving water rights, the Division employs the services of the Attorney General’s office as well as outside experts who have a more comprehensive understand of water rights issues. While this has worked well enough until now, the Department believes that even when hiring outside experts, they are not able to optimize their revenue generation because of their lack of specific knowledge around water rights and how to effectively coordinate with the experts.

It is important to note here that the addition of a Water Resources Manager will not obviate the need for outside expertise. Instead, this position would be responsible for coordinating the interaction between the Division and the outside experts as well as directing resources to those experts efficiently with the goal of maximizing the value of that outside expertise.

#### POTENTIAL IMPACT ON THE DEPARTMENT AND STATE:

The Department believes, and staff agrees, that it is highly unlikely that SLB is using its water rights resources to their full potential. While the Division likely won’t see significant revenue increases in the short-term, the long-term potential of starting to understand and optimize the State’s water resources now is where the true potential of this position lies.

While the short-term is not likely to be exceptionally lucrative, the Division did identify some areas where they believe real and immediate financial gains can be made with the addition of this position. First, SLB currently leases 12,500 acres of land that use SLB water for irrigation. It leases another 101,385 acres of land that is irrigated by other water sources or is used as dry land. The Division believes that a Water Resources Manager would be able to bring more of its leased acreage under SLB irrigation, thereby increasing lease revenue. They estimate that this could be as much as \$250,000 per year.

Another potential impact on SLB revenue, and in staff's opinion a far more important impact, is the proper cataloguing and assessment of the Division's existing water rights. Right now, the Division believes that it can account for 95% of its water right assets, which include:

- 1,367.5 ditch shares;
- 15 surface water rights;
- 122 decreed groundwater wells;
- 2,000 exempt stock wells; and
- 243,872 acres of surface ownership in the Denver Groundwater Basin.

Of that, the Division has assessed the value of only a small portion of the holdings. These include:

- 522.5 ditch shares (38%); and
- 8,524 acres of surface ownership with groundwater rights (3.6%).

The estimated value of the Division's assessed holdings is \$10.0 million. A much more complete accounting of the Division's holdings could provide a much clearer picture on how valuable the full portfolio of water rights is and allow the Division to use them in the most optimal way.

A third way that this position could benefit the Department is through more active management of water assets to avoid abandonment. In the most recent decennial list of rights at risk of abandonment, the State Land Board was presented with a list of 41 separate SLB water rights potentially eligible for abandonment. The State Land Board Commissioners consulted with the AG's office to determine the feasible courses of action concerning those rights and the Division prepared an analysis of the rights for the Commissioners. Upon review of the analysis, the Commissioners voted to abandon 32 rights and conditionally abandon six others. The remaining three rights from the list were subject to further investigation or objections to be filed with the State Engineer. The Department believes that many of these abandonments could have been avoided had there been knowledgeable management of the rights and the ability to put the rights to beneficial use in a timely manner.

Finally, the Department has identified several other potential opportunities to increase revenue that could be realized with a dedicated water resources manager including leasing additional water for production agriculture on state trust lands, leasing water for wetland mitigation and other restoration projects, partnering with irrigation and ditch companies in which the State Land Board owns shares to increase the value of existing shares, acquiring additional water rights and shares, and disposing of water assets when market conditions are favorable and significant returns to the Division are expected.

#### LEVEL OF EVIDENCE PURSUANT TO S.B. 21-284:

Senate Bill 21-284 states that a program or practice is "theory-informed" if a theory of change has been identified and implemented. The Department identified this budget request as a theory-informed practice, and identified the theory of change as "application of a dedicated resource to the management of State Land Board water assets to increase trust revenue from water assets." The Department's objective is "to provide stewardship of working trust lands to support long-term revenue generation from water, land, mineral, and other assets."

A theory of change is a method that explains how a given intervention, or set of interventions, is expected to lead to specific outcomes, drawing on a causal analysis based on available evidence. While there are potentially identifiable outputs related to the addition of a water resources manager, JBC staff disagrees that it qualifies as an intervention that is intended to lead to a specific change with

measurable outcomes. JBC staff has determined that, pursuant to S.B. 21-284 (Evidence-based Evaluations for Budget), assignment of a level of evidence is not applicable to this request.

LINE ITEM DETAIL – STATE LAND BOARD

PROGRAM COSTS

This line item supports the State Land Board's administrative and operating costs. The appropriation is mostly supported by revenues earned on school trust lands from the State Land Board Trust Administration Fund (Section 36-1-145 (2)(a) C.R.S.). It also includes \$75,000 cash funds from the Land and Water Management Fund, established in Section 36-1-148 (1), C.R.S., to be used for the management and improvement of state-owned lands and waters under the control of the State Land Board. This fund receives revenues from fees collected for the issuance of leases, patents, certificates of purchase, rights of way documents, and recording assignments for the making of township plats.

*STATUTORY AUTHORITY:* Article IX of the Colorado Constitution, Article 1 of Title 36, C.R.S., and Section 24-35-115, C.R.S.

*REQUEST:* The Department requests an appropriation of \$5,140,266 cash funds and 43.0 FTE for FY 2022-23.

*RECOMMENDATION:* Staff recommends an appropriation of \$5,140,282 cash funds and 43.0 FTE for FY 2022-23.

STATE BOARD OF LAND COMMISSIONERS, PROGRAM COSTS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2021-22 APPROPRIATION</b>						
SB 21-205 (Long Bill)	\$4,909,609	\$0	\$4,909,609	\$0	\$0	42.0
<b>TOTAL</b>	<b>\$4,909,609</b>	<b>\$0</b>	<b>\$4,909,609</b>	<b>\$0</b>	<b>\$0</b>	<b>42.0</b>
<b>FY 2022-23 RECOMMENDED APPROPRIATION</b>						
FY 2021-22 Appropriation	\$4,909,609	\$0	\$4,909,609	\$0	\$0	42.0
R5 Land board water resources manager	107,284	0	107,284	0	0	1.0
Centrally appropriated line items	106,740	0	106,740	0	0	0.0
Annualize prior year budget actions	16,649	0	16,649	0	0	0.0
<b>TOTAL</b>	<b>\$5,140,282</b>	<b>\$0</b>	<b>\$5,140,282</b>	<b>\$0</b>	<b>\$0</b>	<b>43.0</b>
<b>INCREASE/(DECREASE)</b>	<b>\$230,673</b>	<b>\$0</b>	<b>\$230,673</b>	<b>\$0</b>	<b>\$0</b>	<b>1.0</b>
Percentage Change	4.7%	n/a	4.7%	n/a	n/a	2.4%
<b>FY 2022-23 EXECUTIVE REQUEST</b>						
Request Above/(Below) Recommendation	(\$16)	\$0	(\$16)	\$0	\$0	0.0

PUBLIC ACCESS PROGRAM DAMAGE AND ENHANCEMENT COSTS

The General Assembly created this line item in FY 2010-11 to reflect expenditures associated with the Public Access Program, a collaborative effort with the Division of Parks and Wildlife (CPW). CPW leases approximately 975,000 acres from the State Land Board for public access hunting and fishing.

The program generates around \$1.5 million per year for the Land Board, which spends approximately 15.0 percent of that funding on access improvements, damage repairs, and property enhancement for public access properties. The funds are classified as reappropriated funds in the State Land Board's budget.

*STATUTORY AUTHORITY:* Article IX of the Colorado Constitution and Article 1 of Title 36, C.R.S.

*REQUEST:* The Department requests a continuation appropriation of \$225,000 reappropriated funds for FY 2022-23.

*RECOMMENDATION:* Staff recommends a continuation appropriation of \$225,000 reappropriated funds for FY 2022-23.

**INDIRECT COST ASSESSMENT**

This line item reflects indirect cost assessments to cash funds within the State Land Board. The Department uses indirect cost recoveries to offset General Fund that would otherwise be required to pay for centralized services provided by the Executive Director's Office.

*REQUEST:* The Department requests an appropriation of \$234,500 cash funds for FY 2022-23.

*RECOMMENDATION:* Staff recommends an appropriation of \$234,500 cash funds for FY 2022-23.

STATE BOARD OF LAND COMMISSIONERS, INDIRECT COST ASSESSMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2021-22 APPROPRIATION</b>						
SB 21-205 (Long Bill)	\$225,712	\$0	\$225,712	\$0	\$0	0.0
<b>TOTAL</b>	<b>\$225,712</b>	<b>\$0</b>	<b>\$225,712</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0</b>
<b>FY 2022-23 RECOMMENDED APPROPRIATION</b>						
FY 2021-22 Appropriation	\$225,712	\$0	\$225,712	\$0	\$0	0.0
Indirect cost assessment	8,788	0	8,788	0	0	0.0
<b>TOTAL</b>	<b>\$234,500</b>	<b>\$0</b>	<b>\$234,500</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0</b>
<b>INCREASE/(DECREASE)</b>						
Percentage Change	3.9%	n/a	3.9%	n/a	n/a	n/a
<b>FY 2022-23 EXECUTIVE REQUEST</b>						
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

## LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION

### LONG BILL FOOTNOTES

Staff recommends **CONTINUING AND MODIFYING** the following Long Bill footnotes:

- XX Department of Natural Resources, Division of Reclamation, Mining, and Safety, Inactive Mines, Program Costs -- This appropriation remains available until completion of the project or the close of the ~~2023-24~~ 2024-25 state fiscal year, whichever comes first.

**COMMENT:** This footnote provides three-year roll-forward spending authority for this line item consolidated in FY 2020-21.

- XX Department of Natural Resources, Oil and Gas Conservation Commission, Plugging and Reclaiming Orphaned Wells -- This appropriation remains available for expenditure until the close of the ~~2022-23~~ 2023-24 state fiscal year.

**COMMENT:** This footnote provides two-year roll-forward spending authority.

Staff recommends **CONTINUING** the following footnotes:

- XX Department of Natural Resources, Oil and Gas Conservation Commission, Emergency Response -- It is the General Assembly's intent that this appropriation be expended if there is an oil and gas related emergency under the jurisdiction of the Oil and Gas Conservation Commission. The purpose of this appropriation is to fund investigation, prevention, monitoring, and mitigation of circumstances caused by or that are alleged to be associated with oil and gas activities and that call for immediate action by the Oil and Gas Conservation Commission.

**COMMENT:** This footnote sets forth the purpose, conditions, and limitations of the line item. The JBC created the Emergency Response line item in FY 2006-07 to be used, if and when necessary, for emergency response. The appropriation was approved due to a concern that emergency funding would be necessary during a time when the JBC may not be meeting during the interim (and thus would have to wait for an interim supplemental, delaying the Department's ability to respond adequately). Funding is from the Oil and Gas Conservation and Environmental Response Fund.

### REQUESTS FOR INFORMATION

Staff recommends **CONTINUING** the following request for information:

- X Department of Natural Resources, Division of Reclamation, Mining, and Safety, Inactive Mines, Program Costs -- The Division of Reclamation, Mining, and Safety is requested to include in its annual budget request a report detailing all expenditures made in the previous year from this line item. The report should include but not be limited to: (1) Non-project expenditures: (a) spending type, (b) FTE allocation, (c) total expenditure; and (d) fund sources and fund source splits. (2) Project expenditures: (a) project name; (b) project type; (c) geographic location; (d) period of work on-site; (e) total expenditure and FTE allocation; and (f) fund sources and fund source split. The Division is requested to include any other data points, details, or comments that more fully express or explain the expenditure experience from this line item.
  
- X Department of Natural Resources, Oil and Gas Conservation Commission, Program Costs -- The Department of Natural Resources is requested to include in its annual budget request a report on the performance of the risk-based inspection program. The report should provide information on the activities of the Facilities Integrity group, the inspection of process piping and flowlines, and the metrics used to measure the performance and effectiveness of the Facilities Integrity program.
  
- X Department of Natural Resources, Oil and Gas Conservation Commission, Plugging and Reclaiming Abandoned Wells -- The Oil and Gas Conservation Commission is requested to include in its annual budget request a report detailing all expenditures made in the previous year from this line item and an inventory of all known orphaned wells that are in the process of being plugged and reclaimed or remain to be plugged and reclaimed.
  
- X Department of Natural Resources, Oil and Gas Conservation Commission, Emergency Response -- The Oil and Gas Conservation Commission is requested to include in its annual budget request a report detailing all expenditures made in the previous year from this line item.
  
- X Department of Natural Resources, Oil and Gas Conservation Commission, Special Environmental Protection and Mitigation Studies -- The Oil and Gas Conservation Commission is requested to include in its annual budget request a report detailing all expenditures made in the previous year from this line item.

## INDIRECT COST ASSESSMENTS

The Department's Indirect Cost plan is discussed in the Figure Setting document that includes recommendations for the Executive Director's Office for the Department of Natural Resources.



*JBC Staff Figure Setting - FY 2022-23*  
*Staff Working Document - Does Not Represent Committee Decision*

**Appendix A: Numbers Pages**

	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Appropriation	FY 2022-23 Request	FY 2022-23 Recommendation
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**DEPARTMENT OF NATURAL RESOURCES**  
**Dan Gibbs, Executive Director**

**(2) DIVISION OF RECLAMATION, MINING, AND SAFETY**

**(A) Coal Land Reclamation**

Program Costs	<u>2,091,515</u>	<u>1,979,115</u>	<u>1,937,431</u>	<u>1,992,574</u>	<u>1,992,574</u>
FTE	14.8	15.1	19.0	19.0	19.0
General Fund	0	0	0	0	0
Cash Funds	407,015	356,796	437,056	448,636	448,636
Reappropriated Funds	0	0	0	0	0
Federal Funds	1,684,500	1,622,319	1,500,375	1,543,938	1,543,938
Indirect Cost Assessment	<u>167,220</u>	<u>162,041</u>	<u>83,620</u>	<u>83,872</u>	<u>83,872</u>
General Fund	0	0	0	0	0
Cash Funds	22,136	0	17,560	17,613	17,613
Reappropriated Funds	0	0	0	0	0
Federal Funds	145,084	162,041	66,060	66,259	66,259

<b>SUBTOTAL - (A) Coal Land Reclamation</b>	<u>2,258,735</u>	<u>2,141,156</u>	<u>2,021,051</u>	<u>2,076,446</u>	<u>2,076,446</u>
FTE	<u>14.8</u>	<u>15.1</u>	<u>19.0</u>	<u>19.0</u>	<u>19.0</u>
General Fund	0	0	0	0	0
Cash Funds	429,151	356,796	454,616	466,249	466,249
Reappropriated Funds	0	0	0	0	0
Federal Funds	1,829,584	1,784,360	1,566,435	1,610,197	1,610,197

\* This line contains a decision item.

*JBC Staff Figure Setting - FY 2022-23*  
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	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Appropriation	FY 2022-23 Request	FY 2022-23 Recommendation
<b>(B) Inactive Mines</b>					
Program Costs	<u>1,852,016</u>	<u>1,650,153</u>	<u>2,610,860</u>	<u>2,669,904</u>	<u>2,669,904</u>
FTE	8.6	8.0	17.8	17.8	17.8
General Fund	0	0	0	0	0
Cash Funds	776,101	670,670	1,240,329	1,244,196	1,244,196
Reappropriated Funds	0	0	0	0	0
Federal Funds	1,075,915	979,483	1,370,531	1,425,708	1,425,708
Indirect Cost Assessment	<u>234,692</u>	<u>207,082</u>	<u>194,607</u>	<u>228,141</u>	<u>228,141</u>
General Fund	0	0	0	0	0
Cash Funds	24,701	0	15,513	19,604	19,604
Reappropriated Funds	0	0	0	0	0
Federal Funds	209,991	207,082	179,094	208,537	208,537
Legacy Mine Hydrology Projects	<u>346,865</u>	<u>152,254</u>	<u>0</u>	<u>0</u>	<u>0</u>
FTE	0.3	0.0	0.0	0.0	0.0
General Fund	0	0	0	0	0
Cash Funds	346,865	152,254	0	0	0
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Reclamation of Forfeited Mine Sites	<u>59,820</u>	<u>104,877</u>	<u>0</u>	<u>0</u>	<u>0</u>
FTE	0.0	0.0	0.0	0.0	0.0
General Fund	0	0	0	0	0
Cash Funds	59,820	104,877	0	0	0
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0

*JBC Staff Figure Setting - FY 2022-23*  
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	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Appropriation	FY 2022-23 Request	FY 2022-23 Recommendation
<b>SUBTOTAL - (B) Inactive Mines</b>	2,493,393	2,114,366	2,805,467	2,898,045	2,898,045
<i>FTE</i>	<u>8.9</u>	<u>8.0</u>	<u>17.8</u>	<u>17.8</u>	<u>17.8</u>
General Fund	0	0	0	0	0
Cash Funds	1,207,487	927,801	1,255,842	1,263,800	1,263,800
Reappropriated Funds	0	0	0	0	0
Federal Funds	1,285,906	1,186,565	1,549,625	1,634,245	1,634,245

**(C) Minerals**

Program Costs	<u>2,155,957</u>	<u>2,006,323</u>	<u>2,403,168</u>	<u>2,467,586</u>	<u>2,467,586</u>
<i>FTE</i>	19.2	18.4	23.0	23.0	23.0
General Fund	0	0	0	0	0
Cash Funds	2,155,957	2,006,323	2,403,168	2,467,586	2,467,586
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Indirect Cost Assessment	<u>112,839</u>	<u>0</u>	<u>104,116</u>	<u>106,620</u>	<u>106,620</u>
General Fund	0	0	0	0	0
Cash Funds	112,839	0	104,116	106,620	106,620
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
<b>SUBTOTAL - (C) Minerals</b>	2,268,796	2,006,323	2,507,284	2,574,206	2,574,206
<i>FTE</i>	<u>19.2</u>	<u>18.4</u>	<u>23.0</u>	<u>23.0</u>	<u>23.0</u>
General Fund	0	0	0	0	0
Cash Funds	2,268,796	2,006,323	2,507,284	2,574,206	2,574,206
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0

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	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Appropriation	FY 2022-23 Request	FY 2022-23 Recommendation
<b>(D) Mines Program</b>					
Colorado and Federal Mine Safety Program	<u>478,483</u>	<u>366,691</u>	<u>558,281</u>	<u>564,440</u>	<u>564,440</u>
FTE	3.0	3.0	4.0	4.0	4.0
General Fund	0	0	0	0	0
Cash Funds	278,434	142,688	368,636	374,795	374,795
Reappropriated Funds	0	0	0	0	0
Federal Funds	200,049	224,003	189,645	189,645	189,645
 Blaster Certification Program	 <u>86,110</u>	 <u>100,510</u>	 <u>127,069</u>	 <u>134,338</u>	 <u>134,338</u>
FTE	1.0	1.0	1.0	1.0	1.0
General Fund	0	0	0	0	0
Cash Funds	(9,409)	(8,694)	32,211	33,737	33,737
Reappropriated Funds	0	0	0	0	0
Federal Funds	95,519	109,204	94,858	100,601	100,601
 Indirect Cost Assessment	 <u>29,241</u>	 <u>23,515</u>	 <u>15,869</u>	 <u>15,098</u>	 <u>15,098</u>
General Fund	0	0	0	0	0
Cash Funds	8,974	0	9,682	7,029	7,029
Reappropriated Funds	0	0	0	0	0
Federal Funds	20,267	23,515	6,187	8,069	8,069
 <b>SUBTOTAL - (D) Mines Program</b>	 <b>593,834</b>	 <b>490,716</b>	 <b>701,219</b>	 <b>713,876</b>	 <b>713,876</b>
FTE	4.0	4.0	5.0	5.0	5.0
General Fund	0	0	0	0	0
Cash Funds	277,999	133,994	410,529	415,561	415,561
Reappropriated Funds	0	0	0	0	0
Federal Funds	315,835	356,722	290,690	298,315	298,315

*JBC Staff Figure Setting - FY 2022-23*  
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	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Appropriation	FY 2022-23 Request	FY 2022-23 Recommendation
<b>TOTAL - (2) Division of Reclamation, Mining, and Safety</b>	7,615,240	6,752,561	8,035,021	8,262,573	8,262,573
<i>FTE</i>	<u>46.9</u>	<u>45.5</u>	<u>64.8</u>	<u>64.8</u>	<u>64.8</u>
General Fund	0	0	0	0	0
Cash Funds	4,183,915	3,424,914	4,628,271	4,719,816	4,719,816
Reappropriated Funds	0	0	0	0	0
Federal Funds	3,431,325	3,327,647	3,406,750	3,542,757	3,542,757

*JBC Staff Figure Setting - FY 2022-23*  
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	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Appropriation	FY 2022-23 Request	FY 2022-23 Recommendation
<b>(3) OIL AND GAS CONSERVATION COMMISSION</b>					
Program Costs	<u>12,459,607</u>	<u>12,217,464</u>	<u>14,863,484</u>	<u>15,236,210</u>	<u>15,236,210</u>
FTE	122.8	125.8	145.8	145.3	145.3
General Fund	0	0	0	0	0
Cash Funds	12,459,607	12,217,464	14,863,484	15,236,210	15,236,210
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Underground Injection Program	<u>71,869</u>	<u>66,408</u>	<u>96,559</u>	<u>96,559</u>	<u>96,559</u>
FTE	2.0	2.0	2.0	2.0	2.0
General Fund	0	0	0	0	0
Cash Funds	0	0	0	0	0
Reappropriated Funds	0	0	0	0	0
Federal Funds	71,869	66,408	96,559	96,559	96,559
Plugging and Reclaiming Abandoned Wells	<u>4,281,891</u>	<u>3,016,798</u>	<u>3,850,000</u>	<u>3,850,000</u>	<u>3,850,000</u>
General Fund	0	0	0	0	0
Cash Funds	4,281,891	3,016,798	3,850,000	3,850,000	3,850,000
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Environmental Assistance and Complaint Resolution	<u>170,096</u>	<u>22,291</u>	<u>312,033</u>	<u>312,033</u>	<u>312,033</u>
General Fund	0	0	0	0	0
Cash Funds	170,096	22,291	312,033	312,033	312,033
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0

*JBC Staff Figure Setting - FY 2022-23*  
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	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Appropriation	FY 2022-23 Request	FY 2022-23 Recommendation
Emergency Response	0	0	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
General Fund	0	0	0	0	0
Cash Funds	0	0	150,000	150,000	150,000
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Environmental Protection and Mitigation Studies	<u>65,373</u>	<u>57,543</u>	<u>325,000</u>	<u>325,000</u>	<u>325,000</u>
General Fund	0	0	0	0	0
Cash Funds	65,373	57,543	325,000	325,000	325,000
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Indirect Cost Assessment	<u>526,532</u>	<u>365,413</u>	<u>610,945</u>	<u>667,757</u>	<u>667,757</u>
General Fund	0	0	0	0	0
Cash Funds	513,401	349,821	604,293	665,139	665,139
Reappropriated Funds	0	0	0	0	0
Federal Funds	13,131	15,592	6,652	2,618	2,618
<b>TOTAL - (3) Oil and Gas Conservation Commission</b>	17,575,368	15,745,917	20,208,021	20,637,559	20,637,559
<i>FTE</i>	<u>124.8</u>	<u>127.8</u>	<u>147.8</u>	<u>147.3</u>	<u>147.3</u>
General Fund	0	0	0	0	0
Cash Funds	17,490,368	15,663,917	20,104,810	20,538,382	20,538,382
Reappropriated Funds	0	0	0	0	0
Federal Funds	85,000	82,000	103,211	99,177	99,177

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	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Appropriation	FY 2022-23 Request	FY 2022-23 Recommendation
<b>(4) STATE BOARD OF LAND COMMISSIONERS</b>					
Program Costs	<u>4,710,111</u>	<u>4,647,758</u>	<u>4,909,609</u>	<u>5,140,266</u>	<u>5,140,282</u> *
FTE	41.4	40.6	42.0	43.0	43.0
General Fund	0	0	0	0	0
Cash Funds	4,710,111	4,647,758	4,909,609	5,140,266	5,140,282
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Public Access Program Damage and Enhancement Costs	<u>181,899</u>	<u>198,212</u>	<u>225,000</u>	<u>225,000</u>	<u>225,000</u>
General Fund	0	0	0	0	0
Cash Funds	0	0	0	0	0
Reappropriated Funds	181,899	198,212	225,000	225,000	225,000
Federal Funds	0	0	0	0	0
Indirect Cost Assessment	<u>250,190</u>	<u>211,015</u>	<u>225,712</u>	<u>234,500</u>	<u>234,500</u>
General Fund	0	0	0	0	0
Cash Funds	250,190	211,015	225,712	234,500	234,500
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
<b>TOTAL - (4) State Board of Land Commissioners</b>	5,142,200	5,056,985	5,360,321	5,599,766	5,599,782
FTE	<u>41.4</u>	<u>40.6</u>	<u>42.0</u>	<u>43.0</u>	<u>43.0</u>
General Fund	0	0	0	0	0
Cash Funds	4,960,301	4,858,773	5,135,321	5,374,766	5,374,782
Reappropriated Funds	181,899	198,212	225,000	225,000	225,000
Federal Funds	0	0	0	0	0



*JBC Staff Figure Setting - FY 2022-23*  
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	<b>FY 2019-20 Actual</b>	<b>FY 2020-21 Actual</b>	<b>FY 2021-22 Appropriation</b>	<b>FY 2022-23 Request</b>	<b>FY 2022-23 Recommendation</b>
<b>TOTAL - Department of Natural Resources</b>	30,332,808	27,555,463	33,603,363	34,499,898	34,499,914
<i>FTE</i>	<u>213.1</u>	<u>213.9</u>	<u>254.6</u>	<u>255.1</u>	<u>255.1</u>
General Fund	0	0	0	0	0
Cash Funds	26,634,584	23,947,604	29,868,402	30,632,964	30,632,980
Reappropriated Funds	181,899	198,212	225,000	225,000	225,000
Federal Funds	3,516,325	3,409,647	3,509,961	3,641,934	3,641,934